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PAGE 01 STATE 231498

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FOR DEPUTY ASSIST SEC JULIUS KATZ

FOLLOWING REPEAT KUALA LUMPUR 5724 ACTION SECSTATE INFO
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LIMITED OFFICIAL USE KUALA LUMPUR 5724

SUMMARY: CONTINUING GOM UNHAPPINESS WITH GOJ
POSITION ON COMMODITIES, MOST RECENTLY REFLECTED
IN 7TH SPECIAL SESSION OF UNGA. AND WITH ALLEGED
UNSATISFACTORY BUSINESS PRACTICES BY JAPANESE
FIRMS IN MALAYSIA, HAS CAUSED THE GOM TO UNDERTAKE
A REVIEW OF ITS RELATIONS WITH JAPAN, PARTICULARLY
WITH REGARD TO ECONOMIC MATTERS, WITH THE
IMPLICATION OF A TOUGHER MALAYSIAN ATTITUDE
TOWARD JAPAN.

1. ON SEPT 21 MINISTER PRIMARY INDUSTRIES MUSA HITAM,
WHO HEADED MALAYSIAN DEL TO 7TH SPECIAL SESSION, ISSUED
STATEMENT HERE CRITICAL OF GOJ POSITION IN 7TH SPECIAL
SESSION AND OF JAPANESE ECONOMIC POLICY IN GENERAL.

2. RELEVANT PORTION OF HITAM'S STATEMENT IS AS
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PAGE 02 STATE 231498

FOLLOWS: "IN THE ABOVE CONTEXT, I CANNOT BUT REFLECT

ON THE RATHER PASSIVE ATTITUDE ADOPTED BY THE DELEGATION OF SOME DEVELOPED COUNTRIES AT THE SESSION. THE STANCE OF JAPAN IS PARTICULARLY DIFFICULT TO COMPREHEND IN VIEW OF HER POSITION AS THE SECOND LARGEST MARKET ECONOMY. THE MALAYSIAN DELEGATION REMAINS CONCERNED AT THE CONTINUED LACK OF A WELL-THOUGHT OF (SIC) POLICY ON THE IMPORTANT SUBJECT OF COMMODITIES ON THE PART OF JAPAN, DESPITE MANY PRO-
NOUNCEMENTS BY JAPANESE LEADERS THAT JAPAN WOULD EXPAND HER ACTIVITIES TO ASSIST IN THE DEVELOPMENT OF DEVELOPING COUNTRIES, PARTICULARLY THOSE IN ASIA. AS THESE PRONOUNCEMENTS HAD RAISED OUR EXPECTATIONS, OUR DISSAPPOINTMENT AT THE 7TH SESSION WAS HEIGHTENED WHEN WE FAILED TO SEE NEITHER A REFLECTION NOR ANY CONCRETE MANIFESTATION OF THE COMMITMENT OF JAPANESE LEADERS TOWARDS THE DEVELOPMENT OF DEVELOPING COUNTRIES. THE JAPANESE GOVERNMENT TENDS TO ADOPT A POLICY OF STRICT NON-INTERFERENCE IN THE ACTIVITIES OF A JAPANESE ENTERPRISES INVOLVED IN INTERNATIONAL TRADE. HOWEVER, THIS POLICY IS NOW OBSOLETE, ESPECIALLY NOW THAT THE U.S. AND OTHER DEVELOPED COUNTRIES HAVE ADOPTED A NEW STANCE, PARTICULARLY ON COMMODITY ISSUES. FURTHERMORE, THESE COUNTRIES NOW RECOGNIZE THE NEED TO IMPROVE THE EXISTING SYSTEM OF ECONOMIC RELATIONS. IT IS HOPED THAT IN THE FUTURE, THE JAPANESE GOVERNMENT WOULD PLAY A MUCH MORE POSITIVE AND MEANINGFUL ROLE IN INTERNATIONAL ECONOMIC COOPERATIONS."

3. ON SEPT 23, GOM-INFLUENCED "NEW STRAITS TIMES" EDITORIAL FOLLOWED HITAM'S CRITICAL TONE NOTING THAT "DATUK MUSA HITAM IS JUSTIFIED IN DEPRECATING THE LACK OF DEEDS AND THE JAPANESE GOVERNMENT'S GENERAL POLICY OF STRICT NON-INTERFERENCE IN THE ACTIVITIES OF JAPANESE ENTERPRISES INVOLVED IN INTERNATIONAL TRADE," THAT "JAPAN CONTINUES TO CHAMPION THE EXPLOITATIVE 'FREE TRADE' SYSTEM OF THE PAST GENERATION AT A TIME WHEN THE LIMITED OFFICIAL USE

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PAGE 03 STATE 231498

GROWING WORLD CONSENSUS IS FOR 'FAIRER TRADE'," AND THAT "INTERMINABLE SEMINARS AND CONFERENCES, COMMUNICATIONS OF EVERY SORT, HAVE TOLD THE JAPANESE WHY THEY ARE UNPOPULAR OVERSEAS AND WHAT THEY CAN DO ABOUT IT. THERE ARE SOCIAL REASONS AS WELL. BUT AS IMPORTANT AS ANYTHING ELSE IS THE SELFISHNESS THAT RULES IN TOKYO AND IS VISIBLE ABROAD. JAPAN'S FAILURE TO WIN FRIENDS LIES NOT IN

A LACK OF COMMUNICATION BUT IN HER RELUCTANCE TO TRANSLATE WORDS INTO ACTION."

4. PRIOR TO THE 7TH SPECIAL SESSION MINISTER MUSA HITAM HAD PUBLICLY CRITICIZED THE REPORTED JAPANESE PLAN TO BUILD UP STOCKPILES OF RAW MATERIALS. MINISTER HITAM NOTED THAT "THE BEST WAY INDUSTRIALIZED COUNTRIES COULD ENSURE ADEQUATE SUPPLY AT FAIR PRICES BOTH TO THEM AND THE PRODUCERS WOULD BE TO SUPPORT INTERNATIONAL EFFORTS TO STABILIZE COMMODITY PRICES," THAT "JAPAN COULD PLAY A MORE POSITIVE ROLE BY CHANGING HER RIGID AND NEGATIVE ATTITUDE TOWARDS INTERNATIONAL COMMUNITY FINANCING OF COMMODITY ARRANGEMENTS," AND THAT "WHEREAS THE UNITED STATES OF AMERICA WAS SHOWING ENCOURAGING SIGNS OF CHANGING ATTITUDE TOWARDS PRODUCER COUNTRIES' APPEAL FOR HER TO SCALE DOWN INVOLVEMENT IN HER OWN INDIVIDUAL STOCKPILES, JAPAN SEEMED TO BE MOVING BACKWARD IN TRYING TO BUILD UP SOME SORT OF STOCKPILE OF HER OWN."

5. IN SEPT 19 INTERVIEW WITH FUJI TV GU JAPAN, DEPUTY MINISTER IN THE PRIME MINISTER'S DEPARTMENT, DATUK ABDULLAH BIN AHMAD, CRITICIZED JAPAN NOTING THAT "THEIR (JAPANESE) EFFORTS TO TRANSFER THEIR TECHNOLOGY AND TO TRAIN LOCAL PERSONNEL WERE NOT SERIOUS. LET ME ALSO SAY THAT TO OTHERS THEIR BUSINESS METHODS WERE LESS THAN SCRUPULOUS AND THEY HAVE ALSO SOUGHT TO CORRUPT OUR PEOPLE WITH WHOM THEY DEAL."

6. ON SEPT 16 FOREIGN MINISTRY PRINCIPAL ASSISTANT LIMITED OFFICIAL USE

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PAGE 04 STATE 231498

SECRETARY ZAINAL, WHO HANDLES EAST ASIAN AFFAIRS, INFORMED EMBASSY THAT GOVERNMENT OF MALAYSIA IS IN PROCESS OF REVIEWING ITS RELATIONS WITH JAPAN, PARTICULARLY WITH REGARD TO ECONOMIC MATTERS. IN COURSE DISCUSSION, ZAINAL EMPHASIZED FAILURE OF JAPANESE BUSINESS TO TRAIN MALAYSIANS TO TAKE OVER MANAGEMENT POSITIONS IN JAPANESE SUBSIDIARIES IN MALAYSIA. HE FURTHER IMPLIED THAT ONE RESULT OF THE REVIEW WOULD BE A TOUGHER MALAYSIAN ATTITUDE TOWARD JAPAN.

7. COMMENT: WE HAVE NO CONFIRMATION OF ZAINAL'S AND ABDULLAH'S CRITICISMS REGARDING TRAINING OF MALAYSIANS FOR MANAGEMENT POSITIONS OR OF JAPANESE BUSINESS PRACTICES. ON THE CONTRARY, HEAD

OF BUMIPUTRA DIVISION OF MINISTRY OF TRADE AND
INDUSTRY INFORMED EMBASSY SEPT 24 THAT JAPANESE
FIRMS' PERFORMANCE WAS NO BETTER OR WORSE THAN
OTHER FOREIGN FIRMS IN THIS REGARD. IT SEEMS
CLEAR THAT THE DRIVING ELEMENT OF THE REVIEW IS
GOM'S DEEP CONCERN WITH JAPANESE POLICY REGARDING
COMMODITIES, WHICH OF COURSE IS GUT ISSUE HERE AND
WHICH HAS BEEN A MATTER OF CONCERN TO GOM OVER
TIME, ALTHOUGH AGGRAVATED NOW BY THE AFFECT OF THE
WORLDWIDE RECESSION. REGARDING GOJ SPEECH AT 7TH
SPECIAL SESSION, JAPANESE EMBASSY NOTED TO US
COMMENT BY FORMER GOJ FOREIGN MINISTER KIMURA TO
JAPANESE PRESS IMMEDIATELY AFTER FINISHING SPEECH
THAT HE (KIMURA) WAS EMBARRASSED TO HAVE HAD TO READ
SUCH AS STATEMENT. JAPANESE EMBASSY OFFICIAL
COMMENTED FURTHER THAT JAPANESE MFA HAD BEEN PUSHING
FOR MORE FORTHCOMING STATEMENT BUT HAD BEEN UNABLE
PREVAIL WITH OTHER ELEMENTS GOJ, PARTICULARLY MITI.
UNDERHILL UNQTE INGERSOLL

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